

**CITY OF BATTLE CREEK,  
MICHIGAN**

**SINGLE AUDIT**

**For the Year Ended June 30, 2004**

**CITY OF BATTLE CREEK, MICHIGAN  
SINGLE AUDIT**

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**YEAR ENDED JUNE 30, 2004**

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 29, 2004

Honorable Mayor and Members  
of the City Commission  
City of Battle Creek, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***CITY OF BATTLE CREEK, MICHIGAN*** as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the ***City of Battle Creek, Michigan's*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the *City of Battle Creek, Michigan's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.





**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

October 29, 2004

Honorable Mayor and Members  
of the City Commission  
City of Battle Creek, Michigan

**Compliance**

We have audited the compliance of the *City of Battle Creek, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. The *City of Battle Creek, Michigan's* major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the *City of Battle Creek, Michigan's* management. Our responsibility is to express an opinion on the *City of Battle Creek, Michigan's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the *City of Battle Creek, Michigan's* compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *City of Battle Creek, Michigan's* compliance with those requirements.

In our opinion, the *City of Battle Creek, Michigan* complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2004-1.

### **Internal Control Over Compliance**

The management of the *City of Battle Creek, Michigan* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the *City of Battle Creek, Michigan's* internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Battle Creek, Michigan* as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Johnson*

**City of Battle Creek**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2004**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal/ Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Direct Program:			
Summer Food Service Program:	10.559		
Program year 2003			\$ 29,633
Program year 2004			19,274
			<hr/>
<b>Total U.S. Department of Agriculture</b>			<b>48,907</b>
			<hr/>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Programs:			
Community Development Block Grant:	14.218		
Program year 2000/01		B-00-MC-26-0002	7,549
Program year 2001/02		B-01-MC-26-0002	38,846
Program year 2002/03		B-02-MC-26-0002	294,394
Program year 2003/04		B-03-MC-26-0002	1,210,677
<b>Total Community Development Block Grant</b>			<b>1,551,466</b>
			<hr/>
Home Investment Partnership Program:	14.239		
Program year 1999/00		M-99-MC-26-0203	1,138
Program year 2000/01		M-00-MC-26-0203	10,924
Program year 2001/02		M-01-MC-26-0203	129,167
Program year 2002/03		M-02-MC-26-0203	283,465
Program year 2003/04		M-03-MC-26-0203	48,273
<b>Total Home Investment Partnership Program</b>			<b>472,967</b>
			<hr/>
Passed through the Battle Creek Housing Commission - Public and Indian Housing Drug Elimination	14.854		84,604
			<hr/>
<b>Total U.S. Department of         Housing and Urban Development</b>			<b>2,109,037</b>
			<hr/>
<b>U.S. Department of Justice</b>			
Direct Programs:			
Local Law Enforcement Block Grant:	16.592		
Program year 2002/04		01-LB-BX-3681	46,526
Bulletproof Vest Program	16.607		1,929
Community Oriented Policing (COPS) - Cops In School - Pennfield	16.710	01-SH-WX-0049	4,507
Passed through the Michigan Department of State Police -			
Domestic Preparedness Equipment Grant	16.007		174
Domestic Preparedness Equipment Grant			(169)
Domestic Preparedness Equipment Support			70,278
2003 State Homeland Security - Part II Planning			8,325
2003 State Homeland Security Exercise Grant - RRT			88
2003 State Homeland Security Exercise Grant - City			88
2003 State Homeland Security Equipment Grant - RRT			1,559
2003 State Homeland Security Equipment Grant - City			42,993
			<hr/>
			<b>123,336</b>
			<hr/>
Passed through the Michigan Department of Community Health - Byrne Formula Grant Program:	16.579		
Juvenile Delinquency 2002-03		2003 0681	27,801
			(continued)

**City of Battle Creek**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**For the Year Ended June 30, 2004**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal/ Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Justice (concluded)</b>			
Passed through Grand Valley State University Project Safe Neighborhood	16.609	4-24001	\$ 53,951
Passed through the Substance Abuse Council of Greater Battle Creek - Weed and Seed Program: Program year 2002-03	16.595	2002-WS-QX-0132	<u>76,515</u>
<b>Total U.S. Department of Justice</b>			<u>334,565</u>
<b>U.S. Department of Transportation</b>			
Direct Programs:			
Capital, Planning, and Operating Assistance (Section 5307):	20.507		
Capital 2001		MI-90-X356-01	3,142
Operating 2003		MI-90-X419-00	100,000
Operating 2004		MI-90-X440-00	<u>747,224</u>
Total Capital, Planning, and Operating Assistance			<u>850,366</u>
Passed through the Michigan Department of Transportation:			
Nonurbanized Area Formula Program (Section 5322(f)) - Intercity Terminal	20.509	2001-0013	<u>51,410</u>
Federal Transit Capital Investment Grants Farebox and Data Collection System (Section 5309)	20.500	MI-90-X195-00	<u>285,468</u>
<b>Total U.S. Department of Transportation</b>			<u>1,187,244</u>
<b>Environmental Protection Agency</b>			
Passed through the Michigan Department of Environmental Quality: Capitalization Grants for Drinking Water State Revolving Funds: Program year 2003/04	66.468		<u>17,073</u>
<b>Total Environmental Protection Agency</b>			<u>17,073</u>
<b>Federal Emergency Management Agency</b>			
Passed through the Michigan Department of State Police:			
Emergency Management Performance Grants (2002-03)	83.552		8,560
Supplemental Funds Grant - Domestic Preparedness	83.562		<u>13,341</u>
<b>Total Federal Emergency Management Agency</b>			<u>21,901</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Michigan Department of State Police:			
State Domestic Preparedness Equipment Support Program	97.004		7,181
Homeland Security Assessment Grant	97.004		9,968
Emergency Management Performance Grant (2003-04)	97.042		<u>26,922</u>
<b>Total U.S. Department of Homeland Security</b>			<u>44,071</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 3,762,798</u></u>



# **CITY OF BATTLE CREEK, MICHIGAN**

## **Notes To Schedule Of Expenditures Of Federal Awards**

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### **1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Battle Creek, Michigan (the "City"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City of Battle Creek reporting entity is defined in Note I of the City's basic financial statements.

### **2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note I of the City's basic financial statements.

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# CITY OF BATTLE CREEK, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2004

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Reportable condition(s) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes X none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Reportable condition(s) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes X none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

X yes \_\_\_\_\_ no

# **CITY OF BATTLE CREEK, MICHIGAN**

## **Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended June 30, 2004**

### **SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)**

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500	Federal Transit – Capital Investment Grant
20.507	Federal Transit – Formula Grant

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **2004-1 Procurement, Suspension and Debarment**

All steel, iron and manufactured products used in grant projects funded by the Federal Transit Administration must be manufactured in the United States, as demonstrated by a Buy America certificate, unless the recipient obtains a waiver for this requirement. The City was required to obtain a Buy America certificate for project number MI-03-0195-00, the Farebox and Data Collection System. Upon examination of the contract file, it was revealed that the City did not have a Buy America certificate for this project. Transit manager Jerry Hutchison will conduct pre-award and post-review Buy America audits in the future to ensure compliance with this requirement.

No costs were questioned in the current year as a result of this finding.

### **SECTION IV – PRIOR YEAR FINDINGS**

None.

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